

AHDB Cereal & Oilseeds Early UK Supply and Demand Estimates 2017/18

Introduction – The UK wheat supply & demand balance is forecast to tighten for the second consecutive year, whilst the barley balance is expected to be heavier, driven by higher production. Higher maize opening stocks are forecast to reduce the need for imports, while the oats supply and demand balance is expected to grow because of estimated higher availability.

At this early stage and after a protracted harvest, price relationships throughout the season could impact availability and demand across crops, altering the forecast balances, imports and exports.

Wheat

1. **Defra's first estimate of 2017 UK wheat production is 15.163Mt**, 6% higher than that estimated in the [2016/17 End of Season balance sheet](#). Production is estimated to be up, despite a 3% reduction in the GB wheat area as estimated in the [AHDB 2017 Planting and Variety Survey and a 2% reduction in England, according to official Defra statistics](#). As such, the provisional estimate for UK wheat output is higher than many in the trade had anticipated. The full provisional results of the 2017 UK cereals and oilseeds production survey, including area and yield information, will be published by Defra on 12 October 2017. This figure is subject to change in Defra's final estimates, which will be published on 21 December.
2. **Imports** are forecast at 1.550Mt, a reduction of 15% on the year due to the estimated larger crop. The UK imported 155Kt of wheat in July, up by 29% on July 2016, with the higher volume of imports likely to take account of fewer stocks carried over from the 2016/17 season. Despite an estimated larger crop, lower opening stocks and a lower import forecast result in a reduction of available supplies of 3% on the year, at 18.479Mt.
3. **Human and Industrial (H&I) wheat usage** is forecast at 8.191Mt, up 1% on the year. Overall demand from the bioethanol & starch sectors is expected to be higher than in 2016/17, with a continuation of strong bioethanol production forecast in 2017/18. Distilling demand for wheat is also forecast to be up on the year, with wheat usage expected to gain at the expense of maize. Millers' demand is expected to be largely similar year on year. According to the second provisional [AHDB Cereal Quality Survey](#) (CQS) results, the proportion of wheat samples hitting full specification (nabim Group 1 samples, specific weight: 76kg/hl, Hagberg Falling Number(HFN): 250s, protein: 13%) dropped from 31% in the first release, to 24% in the latest data, this compares to 45% of the previous year's crop. It's important to point out that there is a notable variation in quality results according to region this year as a result of the protracted harvest. However, with the [AHDB Planting and Variety Survey](#) revealing a much larger proportion of nabim Group 1 & 2 varieties planted this year, this could give millers a larger pool of wheat to gain quality samples from.
4. **Animal feed demand** is forecast at 7.179Mt, 2% lower year on year, assuming typical weather conditions. The volume of total animal feed production is expected to increase in 2017/18, with higher usage anticipated from all livestock sectors. Continued growth for the poultry industry is expected again this season, supporting sustained wheat demand. However, on a total animal feed basis, the proportion of wheat used in rations is expected to retract slightly to the benefit of barley, maize and to a lesser extent, oats. So far this season, UK ex-farm feed barley has been priced at an average discount of £21/t compared with wheat, this compares to £16/t during the same period last year, making barley more affordable in rations. Similarly, Any Origin imported maize is priced at a premium of around £9/t to domestic wheat at present, compared £29/t last year.
5. **The balance of availability and domestic consumption is 2.766Mt**, 446Kt (14%) lower year on year. The operating stock requirement for 2017/18 is estimated at 1.600Mt, unchanged from last year. This leaves a surplus available for either export or free stock of 1.166Mt, 446Kt (28%) lower than 2016/17. It is expected that exports will be lower this season due to reduced availability.

Barley

6. **Defra's first estimate of 2017 UK barley production is 7.360Mt**, up 11% on 2016. The [AHDB Planting and Variety Survey](#) suggested that the GB barley area would increase by 5% this year, driven by continued popularity of spring drilling, as well as spring barley being planted as a replacement for previously lost oilseed rape crops last winter. Opening stocks are estimated at 1.121Mt, 18% down on last year and imports are expected to return to more typical levels, currently forecast at 140Kt. Total available supplies are forecast at 8.621Mt, 6% higher year on year.
7. **H&I consumption** is forecast to remain similar to last year, at 1.880Mt, with no major changes expected for the sector. According to the second provisional [CQS](#) results, specific weights are estimated to be largely similar on last year, at 64.5kg/hl, with screening values suggesting a slightly larger grain size. At a GB level, nitrogen content is estimated higher on the year, at 1.68%, whilst nitrogen content for Scottish supplies is lower, at 1.53%. So, there could be higher demand for Scottish barley, depending on the final crop size.
8. **Animal feed usage** is forecast to increase by 3% year on year, to 3.965Mt. As discussed above, higher demand from all livestock sectors is expected this season and the current price relationship between wheat and barley improves the economics of barley inclusions in feed rations for certain diets (e.g. pig and ruminant feed). In particular, increased usage of barley was seen at the beginning of the season as a result of the lower availability of wheat.
9. **The balance of availability and domestic consumption is 2.551Mt, 374Kt (17%) higher** than in 2016/17. The estimated operating stocks requirement is 10Kt higher on the year, at 770Kt, meaning the surplus available for either export or free stock is 1.781Mt, 364Kt (26%) higher year on year.

Maize

10. **Opening stocks of maize carried forward from 2016/17 are estimated at 301Kt**, substantially higher (103%) on a year earlier, predominantly due to higher stocks held by Merchants, Ports and Coops in June 2017. Imports of maize are forecast to remain high, at 1.800Mt, however this is down 253Kt on the year, due to higher carry-in stocks. Total maize availability is estimated at 2.101Mt, a reduction of 5% on the year.
11. **H&I demand** for maize is expected to be lower than in 2016/17, by 47Kt, at 522Kt. The projected reduction in maize usage by distillers outweighs higher forecast demand from the bioethanol industry. Total animal feed demand is estimated at 1.240Mt, up 90Kt (8%) on the year. Total domestic consumption is thus estimated at 1.766Mt, equating to a supply & demand balance of 335Kt, 143Kt (30%) lower on the year.

Oats

12. **Oat production is estimated at 940Kt** for the purposes of this balance sheet. This is based on the assumption of average yields and is discussed in more detail in a recent Grain Market Daily ([read more here](#)). The official provisional UK oat production estimate will be released by Defra on 12 October and this will be incorporated in the November update of the balance sheets. Opening stocks are estimated 19% higher at 110Kt and imports are expected to return to minimum levels, forecast at 20Kt. Total supplies of oats in 2017/18 are thus forecast at 1.070Mt, 109Kt higher compared with 2016/17.
13. **Demand for oats by UK oatmillers** is expected to see a small increase, of 1%, at 525Kt in 2017/18. Usage of oats for animal feed is expected to grow year on year, mainly with more predicted to be used on-farm due to higher availability. Total domestic consumption is forecast at 887Kt, 56Kt higher than last year.
14. **The balance of availability and domestic consumption** is estimated at 183Kt, 52Kt higher than in 2016/17, with demand not expected to grow to the same extent as availability.

Note to readers

15. The first official Defra balance sheet estimates will be published at the end of November and will be updated by AHDB throughout the rest of the season to reflect emerging information and market conditions. As always, caution should be taken when examining these figures at such an early stage of the season.
16. This document provides commentary on the annual AHDB Cereal & Oilseeds Early Balance Sheets for UK wheat, barley, maize and oats for the 2017/18 marketing season. These balance sheets are designed to provide the industry with information on the UK supply and demand position ahead of the official Defra balance sheets, due to be published at the end of November. Production of wheat and barley is based on Defra's first estimates of UK wheat and barley production released on 5 October ([click here](#)). Oat production is based on an analysis of UK oat area and yield scenarios by AHDB ([click here](#)). Comparisons are with both official survey figures and Defra's [2016/17 End of Season Supply and Demand estimates](#), which, for wheat and barley, were adjusted via Defra's reliability scores method. Click on the links provided to read more on Defra's reliability method in a special [MI Prospects article](#) and the associated [methodology paper](#).

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AHDB Early Cereal Supply and Demand Balance Sheets 2017/18



in '1000 Tonnes	Wheat					Barley				
	'15/16 ⁵ *	'16/17 ⁵ *	'17/18 ¹	Change on '16/17	% Change on '16/17	'15/16 ⁵	'16/17 ⁵ *	'17/18 ¹	Change on '16/17	% Change on '16/17
Opening Stocks ⁶	2,434	2,787	1,766	-1,021	-37%	1,497	1,367	1,121	-246	-18%
Production	16,506	14,352	15,163	811	6%	7,370	6,607	7,360	753	11%
Imports	1,509	1,834	1,550	-284	-15%	159	158	140	-18	-11%
Availability	20,449	18,973	18,479	-494	-3%	9,026	8,132	8,621	489	6%
Human and Industrial Consumption of which home grown	7,360 6,416	8,119 7,175	8,191 7,178	72 3	1% 0%	1,833 n/a	1,874 n/a	1,880 n/a	6 -	0% -
Animal Feed Consumption	7,094	7,300	7,179	-121	-2%	3,613	3,856	3,965	109	3%
Seed	281	267	267	0	0%	182	189	188	-1	-1%
Other	79	74	76	2	3%	37	36	37	1	3%
Domestic Consumption	14,814	15,760	15,713	-47	0%	5,665	5,955	6,070	115	2%
Balance	5,635	3,212	2,766	-446	-14%	3,361	2,177	2,551	374	17%
Exports ²	2,848	1,446	-	-	-	1,994	1,056	-	-	-
Intervention Stocks ²	-	-	-	-	-	-	-	-	-	-
Commercial End-Season Stocks ²	2,787	1,766	-	-	-	1,367	1,121	-	-	-
of which Estimated Operating Stocks Requirement ³	1,500	1,600	1,600	0	0%	760	760	770	10	1%
of which Free Stocks ⁴	1,287	166	-	-	-	607	361	-	-	-
Surplus available for either export or free stock	4,135	1,612	1,166	-446	-28%	2,601	1,417	1,781	364	26%

in '1000 Tonnes	Maize					Oats				
	'15/16 ⁵ *	'16/17 ⁵ *	'17/18 ¹	Change on '16/17	% Change on '16/17	'15/16 ⁵	'16/17 ⁵ *	'17/18 ¹	Change on '16/17	% Change on '16/17
Opening Stocks ⁶	309	148	301	153	103%	107	93	110	17	19%
Production	-	-	-	0	0%	799	816	940	124	15%
Imports	1,741	2,053	1,800	-253	-12%	39	53	20	-33	-62%
Availability	2,050	2,201	2,101	-100	-5%	945	961	1,070	109	11%
Human and Industrial Consumption of which home grown	459 -	569 -	522 -	-47 0	-8% 0%	525 499	521 455	525 500	4 45	1% 10%
Animal Feed Consumption	1,314	1,150	1,240	90	8%	240	283	334	51	18%
Seed	-	-	-	0	0%	19	23	23	0	0%
Other	9	4	4	0	0%	4	4	5	1	25%
Domestic Consumption	1,782	1,723	1,766	43	2%	788	831	887	56	7%
Balance	268	478	335	-143	-30%	157	131	183	52	40%
Exportable surplus ²	120	177	119	-58	-33%	65	21	64	43	205%
Commercial End-Season Stocks ²	148	301	215	-86	-29%	93	110	120	10	9%

NB: These balance sheets have been produced by AHDB with support from Defra. The balance sheets should be viewed in conjunction with the official UK Cereals Supply and Demand balance sheets produced by Defra with support from AHDB.

Source: AHDB

1. Forecast using best information available on 6th October 2017

2. Split of exports, intervention and total commercial end-season stocks only published for historical seasons. For further details, see operating stocks methodology (footnote 3)

3. Estimated Operating Stocks Requirement calculated as [shown on the AHDB Cereals & Oilseeds website](#)

This is a calculated estimate of the minimum tonnage that users of grain require to get through to a point at which new crop can be utilised

4. Free Stocks are those available after exports and operating stocks have been fulfilled; these will be estimated later in the season when stocks survey data is available

5. 2015/16 and 2016/17 are Defra estimates.

* Defra's reliability scores process was applied to the end of season balance sheet. Read more in Defra's [Methodology Paper](#).

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